GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:361
ANSWERED ON:01.03.2002
COOPERATIVE BANKS
SHANKERSINH VAGHELA;Y.S. VIVEKANANDA REDDY

Will the Minister of FINANCE be pleased to state:

(a): the number of cooperative banks working in Gujarat;

(b): whether some of the cooperative banks in the State have defaulted and duped the investors of several crores;

(c): if so, the names of such banks and the action being taken against them;

(d): whether GovemmentiRBI are monitoring functioning of these banks;

(e): if so, the details thereof and the reasons for their failure to streamline the banks whose financial position was dwindling; and

(f): the steps being taken to avoid such defaults in future?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a): Reserve Bank of India (RBI) has reported that as on 31 January 2002 there were 359primary urban co-operative banks functioning in the State of Gujarat of which 11 banks are scheduled.

(b)&(c): According to RBI a few of the banks have faced liquidity problems and have defaulted in meeting their commitments to their depositors. The names of these banks are given below:

1) The Madhavpura Mercantile Co-operative Bank Ltd., Ahmedabad
2) The Baroda Peoples Co-operative Bank Ltd., Baroda
3) The Natpur Co-`operative Bank Ltd., Ahmedabad
4) The Janata Commercial Co-operative Bank Ltd., Dholka.
5) The General Co-operative Bank Ltd., Ahmedabad
6) The Ahmedabad Urban Co-operative Bank Ltd., Ahmedabad
7) The Majoor Sahakari Bank Ltd., Ahmedabad
8) Shri Laxmi Co-operative Bank Ltd., Ahmedabad
9) The Ahmedabad Mahila Urban Co-operative Bank Ltd.

Against all these banks RBI has taken suitable action as warranted under Banking Regulation Act,1949 (As Applicable to Cooperative Societies). These include issue of directions under Section35A of the Act ibid for protecting the interest of the depositors and to avoid preferential payment to favoured depositors, placing certain restrictions on withdrawal of deposits and sanction. of fresh loans, supersession of the Board of Directors and appointment ofadministrators, filing of criminal complaint against the chief executives of the banks, cancellation of the licence to carry on banking business and where necessary liquidation of the bank.

(d)&(e): Yes, Sir. The position is regularly monitored by RBI. The urban co-operative banks function under a regime of dual control. Administratively, the urban banks tall under the jurisdiction of the Registrar of Co-operative Societies, while the banking related functions are controlled by the RBI. To ensure smooth functioning of the banks RBI take varioustypes of measures as also corrective measures against defaulted banks such as:

- Off-site surveillance and On-site inspections
- Issue directions to the banks under provisions of section 35A of the BRAct, 1949(AACS).

- Impose restrictions on operations, such as prohibition on acceptance of fresh deposits, granting ftesh loans and advances and incurring further liabilities etc.

(t): As a part ofthe Monetary and Credit Policy, RBI announced certain measures inApril 2001 to strengthen the urban banking sector. Accordingly, the urban co-operative banks were advised to desist from maintaining deposits with other urban co-operative banks, except for maintaining balances in cun-ent accounts for meeting their clearing and remittances requirements. Further, the banks have also been advised to increase their SLR investments in Government and other approved securities upto certain specified levels. Their borrowals in the call/Notice Money markets have been restricted. Also, Capital Adequacy I Norms have been madeapplicable to

urban co-operative banks with effect from 31 March 2002. Recently, RBI has also advised the urban co-operative banks to bring down the interest rates on deposits to the level of prevailing market rates.